

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Richland Community Library		County Kalamazoo	
Fiscal Year End September 30, 2007		Opinion Date December 10, 2007		Date Audit Report Submitted to State January 10, 2008			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

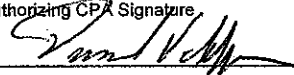
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	None considered necessary	
Other (Describe)		<input checked="" type="checkbox"/>	SAS #112 communication	
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.			Telephone Number (269) 381-4970	
Street Address 246 E Kilgore			City Kalamazoo	State MI
			Zip 49002	
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen		License Number 1101020724

*Richland Community Library*  
*Kalamazoo County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended September 30, 2007*

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## CONTENTS

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	<i>Page</i>
<b>INDEPENDENT AUDITORS' REPORT</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7
Notes to financial statements	8 - 12
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule - General Fund	13

## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Richland Community Library, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Richland Community Library, as of September 30, 2007, and for the year then ended, which collectively comprise the Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Richland Community Library as of September 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 13, is not a required part of the basic financial statements of the Richland Community Library, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Richland Community Library has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Siegfried Crandall P.C.*

December 10, 2007



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## **BASIC FINANCIAL STATEMENTS**

**Richland Community Library**  
**STATEMENT OF NET ASSETS**  
September 30, 2007

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**ASSETS**

Current assets:

Cash	\$ 853,064
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Noncurrent assets:

Capital assets not being depreciated - land	113,815
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Capital assets, net of accumulated depreciation	<u>1,730,668</u>
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Total noncurrent assets	<u>1,844,483</u>
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Total assets	<u>2,697,547</u>
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**LIABILITIES**

Current liabilities:

Accounts payable	1,137
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Interest payable	3,200
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Bonds payable	<u>40,000</u>
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Total current liabilities	44,337
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Noncurrent liabilities - bonds payable	<u>780,000</u>
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Total liabilities	<u>824,337</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	1,024,483
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Restricted for debt service	28,421
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Unrestricted	<u>820,306</u>
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Total net assets	<u>\$ 1,873,210</u>
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See notes to the financial statements

**Richland Community Library**  
**STATEMENT OF ACTIVITIES**  
Year ended September 30, 2007

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**PROGRAM EXPENSES**

Recreation and culture:

Library services	\$ 262,104
Depreciation	97,868
Interest	<u>40,422</u>

Total program expenses 400,394

**PROGRAM REVENUES**

Charges for services	8,928
Operating grants and contributions	<u>15,656</u>

Total program revenues 24,584

Net program expenses (375,810)

**GENERAL REVENUES**

Property taxes	347,740
State grants	5,131
District court penal fines	16,772
Interest income	<u>35,194</u>

Total general revenues 404,837

**CHANGE IN NET ASSETS** 29,027

**NET ASSETS - BEGINNING** 1,844,183

**NET ASSETS - ENDING** \$ 1,873,210

See notes to the financial statements

**Richland Community Library**  
**BALANCE SHEET - governmental funds**  
September 30, 2007

	<b>Major funds</b>		
	<b><u>General</u></b>	<b><u>Debt Service</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Cash	<u>\$ 824,643</u>	<u>\$ 28,421</u>	<u>\$ 853,064</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 1,137</u>
Fund balances:			
Reserved for debt service	<u>-</u>	<u>28,421</u>	<u>28,421</u>
Unreserved, undesignated	<u>823,506</u>	<u>-</u>	<u>823,506</u>
Total fund balances	<u>823,506</u>	<u>28,421</u>	<u>851,927</u>
Total liabilities and fund balances	<u>\$ 824,643</u>	<u>\$ 28,421</u>	<u>\$ 853,064</u>

Amounts reported for *governmental activities* in the statement of net assets are different because:

Total fund balances - all governmental funds	\$ 851,927
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the governmental funds.	1,844,483
Interest payable does not require recognition in the governmental funds.	(3,200)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(820,000)</u>
Net assets of <i>governmental activities</i> (page 4)	<u>\$ 1,873,210</u>

See notes to the financial statements



**Richland Community Library****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
governmental funds**

Year ended September 30, 2007

	<i>Major funds</i>		<i>Totals</i>
	<i>General</i>	<i>Debt Service</i>	
<b>REVENUES</b>			
Property taxes	\$ 265,364	\$ 82,376	\$ 347,740
State grants	5,131	-	5,131
Charges for services	7,347	-	7,347
Fines and forfeitures	16,772	-	16,772
Investment return	33,895	1,299	35,194
Contributions	15,656	-	15,656
Other	1,581	-	1,581
Total revenues	<u>345,746</u>	<u>83,675</u>	<u>429,421</u>
<b>EXPENDITURES</b>			
Culture and recreation	297,921	-	297,921
Capital outlay	30,125	-	30,125
Debt service:			
Principal	-	40,000	40,000
Interest	-	40,622	40,622
Total expenditures	<u>328,046</u>	<u>80,622</u>	<u>408,668</u>
<b>NET CHANGE IN FUND BALANCES</b>	17,700	3,053	20,753
<b>FUND BALANCES - BEGINNING</b>	<u>805,806</u>	<u>25,368</u>	<u>831,174</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 823,506</u>	<u>\$ 28,421</u>	<u>\$ 851,927</u>

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 20,753
Capital assets:	
Assets acquired	65,942
Provision for depreciation	(97,868)
Long-term debt - principal repayments	40,000
Changes in other assets/liabilities:	
Net decrease in accrued interest	<u>200</u>
Change in net assets of <i>governmental activities</i> (page 5)	<u>\$ 29,027</u>

See notes to the financial statements

**Richland Community Library**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Richland Community Library, Michigan (the Library), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

These financial statements contain only the activity of the Library, a district library pursuant to 1989 PA 24, effective April 2, 1990. The participating municipalities include the Township of Richland and the Village of Richland.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Library. The effect of all interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Library.

**Richland Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Library.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Cash* - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

*ii) Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." All receivables are due within one year and are considered fully collectible.

*iii) Capital assets* - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Materials	5 - 10 years

*iv) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Richland Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*v) Property tax recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Library levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by function, department, and line-item. The legal level of budgetary control adopted by the Board is the functional level. All annual appropriations lapse at the end of the fiscal year.

**NOTE 3 - CASH:**

Cash consists of the following:

Deposits with financial institutions	\$ 852,393
Cash on hand	<u>671</u>
Total	<u>\$ 853,064</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At September 30, 2007, \$383,258 of the Library's bank balances of \$867,721 was exposed to custodial credit risk because it was uninsured.

The Library believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Richland Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity of the Library for the current year was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 113,815	\$ -	\$ -	\$ 113,815
Capital assets being depreciated:				
Buildings	1,635,800	-	-	1,635,800
Furniture, fixtures, and equipment	254,842	15,790	-	270,632
Materials	296,713	50,152	(26,659)	320,206
Subtotal	2,187,355	65,942	(26,659)	2,226,638
Less accumulated depreciation for:				
Buildings	(197,544)	(36,815)	-	(234,359)
Furniture, fixtures, and equipment	(87,089)	(31,573)	-	(118,662)
Materials	(140,128)	(29,480)	26,659	(142,949)
Subtotal	(424,761)	(97,868)	26,659	(495,970)
Total capital assets being depreciated, net	1,762,594	(31,926)	-	1,730,668
Governmental activities capital assets, net	\$ 1,876,409	\$ (31,926)	\$ -	\$ 1,844,483

**NOTE 5 - BONDS PAYABLE:**

At year end bonds payable represents the \$985,000 2001 unlimited tax general obligation bonds, payable in annual installments ranging from \$20,000 to \$80,000, plus interest at 4.25% to 5.00%; final payment is due September 2021.

Long-term debt activity for the year ended September 30, 2007, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
2001 general obligation	\$ 860,000	\$ -	\$ (40,000)	\$ 820,000	\$ 40,000

**Richland Community Library**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 5 - BONDS PAYABLE (Continued):

Debt service requirements at September 30, 2007, are as follows:

<u>Year ended September 30:</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 40,000	\$ 38,892
2009	45,000	37,190
2010	50,000	35,280
2011	50,000	33,155
2012	50,000	30,955
2013 - 2017	290,000	103,915
2018 - 2021	<u>295,000</u>	<u>23,400</u>
Total	<u>\$ 820,000</u>	<u>\$ 302,787</u>

NOTE 6 - RISK MANAGEMENT:

The Library is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$3,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Richland Community Library****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended September 30, 2007

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 257,735	\$ 265,354	\$ 265,364	\$ 10
State grants	3,400	3,000	5,131	2,131
Charges for services	3,000	6,382	7,347	965
District court penal fines	10,000	16,772	16,772	-
Interest income	18,320	29,192	33,895	4,703
Contributions	3,050	15,450	15,656	206
Other	150	1,900	1,581	(319)
Total revenues	<u>295,655</u>	<u>338,050</u>	<u>345,746</u>	<u>7,696</u>
<b>EXPENDITURES</b>				
Culture and recreation	305,605	304,500	297,921	6,579
Capital outlay	<u>-</u>	<u>33,500</u>	<u>30,125</u>	<u>3,375</u>
Total expenditures	<u>305,605</u>	<u>338,000</u>	<u>328,046</u>	<u>9,954</u>
<b>NET CHANGE IN FUND BALANCES</b>	(9,950)	50	17,700	17,650
<b>FUND BALANCES - BEGINNING</b>	<u>805,806</u>	<u>805,806</u>	<u>805,806</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 795,856</u>	<u>\$ 805,856</u>	<u>\$ 823,506</u>	<u>\$ 17,650</u>



**Members of the Library Board  
Richland Community Library, Michigan**

In planning and performing our audit of the financial statements of the Richland Community Library, Michigan, as of and for the year ended September 30, 2007, in accordance with U.S. generally accepted auditing standards, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented, but it did not include procedures to test the operating effectiveness of controls, and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be significant deficiencies and deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Library's ability to initiate, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control. We believe that the following control deficiency constitutes a material weakness.



1958-2008

- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record receivables and payables, changes in capital assets and related debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the Library has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Library's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of management, the Library Board, and the Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*

December 10, 2007